

Spheres of Influence

NAFTA Prompts Health Concerns across the Borders

The North American Free Trade Agreement (NAFTA) was signed by President Bush on 17 December 1992. The purpose of this agreement is to eliminate barriers to trade among the United States, Canada, and Mexico. Proponents argue that NAFTA will also establish a broad North American partnership in manufacturing and commerce that would increase the continent's competitive strength, particularly with the European Community and the Pacific Basin nations.

The timing of the agreement and its content was a topic of debate and discussion during the presidential campaign. President Bush championed NAFTA as supporting U.S. manufacturing and agricultural interests in regional and global markets. As a candidate, Bill Clinton supported the general concept of the agreement but refused to endorse it until he could study it in detail and develop a position on the possible negative impact of the agreement on jobs and the environment.

After the election, President Clinton expressed stronger support for NAFTA and ordered his trade representatives to begin negotiations with Mexican and Canadian officials on guidelines for implementation. Operational concerns must be resolved, the organizational structure for managing the activities allowed under NAFTA must be created, and the agreement must be approved by Congress before it can be implemented. In addition, side agreements with Canada and Mexico are to be negotiated that would offset any potential problems NAFTA might create for the United States. The timetable set by administration officials calls for NAFTA to be in place and operational by 1 January 1994.

Many of the organizations with interests that could be affected by NAFTA are making their positions known through the news media, congressional hearings, and lobbying efforts. As the debate continues, it appears that the issues are too complex and controversial to be resolved by the end of the year. In fact, at one point in late April, Leon Panetta, director of the Office of Management and Budget, expressed the view that Congress will not approve NAFTA.

Manufacturing and agricultural communities in the United States have raised concerns about the impact of NAFTA on the ability of U.S. companies to compete with Mexico and Canada. One area of

concern is the import of Mexican produce to the United States. Because of differences in the use of agricultural chemicals, crops grown in Mexico may contain higher levels of pesticide residues than are permitted on crops sold in the United States. Although produce and other food products that do not meet the U.S. pesticide standards may not be imported to the United States, the costs of programs to test imported produce for pesticides are likely to be borne by the American consumer through additional taxes. U.S. agribusiness interests want assurances that these costs will not be passed to them, especially as they anticipate that their market share will decrease in the face of stiff competition from Mexican producers. Agribusinesses believe that a longer growing season and lower operation costs will give an advantage to some Mexican farmers.

Organized labor groups are also worried about the short- and long-term impacts of NAFTA on jobs. Not only are labor costs lower in Mexico, but the Mexican government operates an aggressive program to recruit and provide training in the advanced technologies needed to operate sophisticated manufacturing processes. This training has prepared hundreds of thousands of Mexican workers with the skills needed by advanced industries. This pool of workers offers an incentive to manufacturers to build new plants and factories in Mexico. If NAFTA is implemented and other barriers to trade in the world market are lifted, the lure of Mexico to new industrial expansion or the transfer of current operations now in the United States may be irresistible. Many U.S. workers anticipate a net loss of jobs to Mexico and Canada under NAFTA due to lower labor costs and are not persuaded by forecasts suggesting that NAFTA will open markets in those countries for U.S.-made products, increasing U.S. employment as a consequence.

Workers and occupational safety and health experts have pointed out that regulations to protect employees from on-the-job hazards are not as strict in Mexico and Canada as they are in the United States. Working conditions in the United States are often negotiated as a part of collective bargaining agreements between labor and management. Workers often demand conditions viewed as safer than those allowed under current standards and guidelines or

that protect against unregulated hazards. Some union officials argue that their bargaining position will be weakened by NAFTA because companies will decide to move manufacturing operations to countries where labor is abundant, and health and safety conditions are not as rigorously maintained.

Representatives from various environmental groups have been particularly active in the debate over NAFTA. At a minimum, they want assurances that current laws and regulations that protect the environment and human health from industrial and agricultural activities in the United States will not be eased. Moreover, they want the U.S. government to insist that all NAFTA signers adopt and enforce stringent environmental protection standards before NAFTA is finalized.

There is evidence that the environmental protection laws in Mexico are not often enforced, although Mexican statutes are generally quite similar to those in the United States. The high levels of air, soil, and water pollution along the U.S.-Mexican border have been a glaring environmental concern for several years. These conditions are cited as an example of the failure to develop and implement stringent environmental protection programs on both sides of the border. Some environmental groups are urging federal negotiators working on NAFTA to obtain a commitment to clean up pollution along the border as a condition of final approval of NAFTA. This remediation is estimated to cost at least a billion dollars. Suggestions that the costs of clean-up be paid for by a tax on commodities that cross the U.S.-Mexican border under NAFTA are not well received by industry or government officials in the United States or Mexico. A tax on industry may be the only feasible way to generate clean-up funding during this period of federal austerity in both the United States and Mexico.

One recommendation that gained and subsequently lost momentum involves the establishment of a North American Commission of the Environment (NACE). The commission would be an independent, multinational group with a mandate to ensure that all countries participating in NAFTA rigorously enforce environmental protection laws. The NACE would be created in a side agreement to NAFTA.

The general concept of a commission to track enforcement of environmental statutes was adopted by the Clinton administration and discussed in testimony

before Congress by U.S. Trade Representative Mickey Kantor. Mexican and Canadian officials are reported to agree with the concept. Controversy has risen in the United States concerning the specific roles and responsibilities of NACE. Advocates of a strong NACE want the commission to have the power to investigate the extent of compliance with environmental laws by industry and the enforcement of laws by governments. In addition, they want NACE to have the ability to compel governments to enforce environmental protection laws. U.S. administration officials could not agree to these principles, and U.S. industry representatives were cool to the notion of Mexican and Canadian members of NACE investigating and enforcing compliance in the United States. Experts in international law raise the question of potential threats to national sovereignty and differences in interpretation of complex environmental statutes passed by one country and adjudicated in courts in another country.

The response of Clinton administration officials to the concerns and recommendations on NAFTA from environmental groups has been cautious. EPA Administrator Carol Browner has met with Mexican officials on NAFTA, which indi-

cates the importance the White House assigns to environmental concerns related to the agreement. Still, the specific position of EPA on NAFTA has not been made public. Further, it is clear that whatever the eventual contribution of EPA to the final decision on NAFTA, it will not be the most important factor. The most important determinant of NAFTA's passage will be whether the long-term benefits to the American economy are substantially greater than the short-term costs from loss of jobs and tax revenues if U.S. industries seek foreign venues for new facilities. Such analyses are difficult to develop and defend.

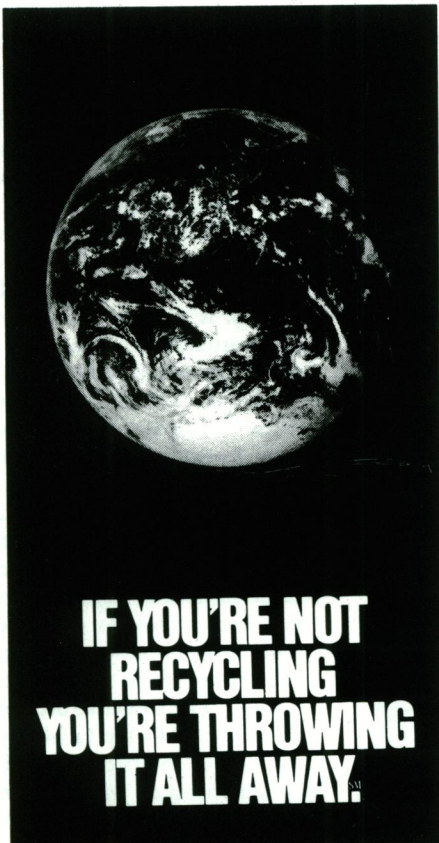
Another critical factor is the Congress. The executive branch must bring the version of NAFTA signed by President Bush and the negotiated side agreements to Congress for approval. However, many members of Congress have already begun efforts to influence the president's responsibilities with respect to NAFTA. For example, Marcie Kaptur (D-Ohio) announced intentions to oppose NAFTA in any form when it comes before the House, and she is recruiting Democrats from the House to support her position. Similarly, David Bonior (D-Michigan) opposes NAFTA on the grounds that it will speed

job loss in the United States and lead to the demise of the automobile industry in Michigan.

House Majority Leader Richard Gephardt (D-Missouri), an expert on trade issues, has said that he will oppose NAFTA if it does not include a solid side agreement that provides funding from a tax on industry for clean up of environmental pollution along the U.S.-Mexican border. The tax would be phased out when the remediation was completed; industry opposes the tax. In the Senate, Max Baucus (D-Montana) is insisting on a tax on goods crossing the border to fund environmental programs.

If these early position statements on NAFTA from influential Democratic members of Congress are any indication of the reception the administration will face when it brings the agreement to Capitol Hill, the forecast of OMB Director Panetta is a reasonable one. Certainly, steering NAFTA through Congress will pose as great a challenge as negotiating NAFTA side agreements with Canada and Mexico. NAFTA will surely be a major test of the ability of the White House to pass a highly visible and controversial program through Congress.

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